

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Annual Financial Report

Year Ended September 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/20/11

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
St. Mary Parish Water and Sewer  
Commission No. 5,  
State of Louisiana  
Jeanerette, Louisiana

We have audited the accompanying financial statements of the business-type activities of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana (hereinafter "Commission"), a component unit of the St. Mary Parish Government, as of and for the years ended September 30, 2010, which comprises the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana, as of September 30, 2010, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Commission has not presented management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying financial information listed as "Other Supplementary Information" in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Except for the schedules listed as "Schedule of Insurance – Unaudited" and "Schedule of Water Rates and Number of Customers – Unaudited" on pages 30 and 31, respectively, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The schedules listed as "Schedule of Insurance – Unaudited" and "Schedule of Water Rates and Number of Customers – Unaudited" on pages 30 and 31, respectively, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Franklin, Louisiana  
March 25, 2011

## **BASIC FINANCIAL STATEMENTS**

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Net Assets  
September 30, 2010

ASSETS	Business-type activities
Current assets:	
Cash	\$ 309,128
Accounts receivable	15,789
Unbilled accounts receivable	2,910
Accrued interest receivable	164
Prepaid expenses	12,270
Total current assets	<u>340,261</u>
Restricted assets:	
Revenue fund	8,894
Depreciation reserve fund	36,937
Water system depreciation and contingency fund	31,973
Customer deposits	4,550
Total restricted assets	<u>82,354</u>
Property and equipment:	
Cost	4,249,635
Less: accumulated depreciation	<u>(2,201,467)</u>
Total property and equipment	<u>2,048,168</u>
Other assets:	
Loan issue costs, net of amortization	<u>5,738</u>
Total other assets	<u>5,738</u>
Total assets	<u>2,476,521</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Net Assets (Continued)  
September 30, 2010

LIABILITIES AND NET ASSETS

	<u>Business-type activities</u>
Current liabilities:	
Accounts payable	\$ 28,062
Accrued and withheld payroll taxes	2,444
Accrued wages	6,789
Due to St. Mary Parish Government	<u>7,637</u>
Total current liabilities	<u>44,932</u>
Current liabilities (payable from restricted assets):	
Rural development loans payable - current portion	12,925
Accrued interest payable	3,531
Customer deposits payable	<u>4,550</u>
Total current liabilities (payable from restricted assets)	<u>21,006</u>
Non-current liabilities:	
Rural development loans payable, net of current portion	<u>225,255</u>
Total liabilities	<u>291,193</u>
Net assets	
Investment in capital assets, net of related debt	1,809,988
Restricted	73,460
Unrestricted	<u>301,880</u>
Total net assets	<u>\$ 2,185,328</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Revenues, Expenses,  
And Changes in Net Assets  
Year Ended September 30, 2010

	Business-type activities
Operating revenues:	
Water sales	\$ 106,823
Sewer sales	70,239
Garbage collection fees	10,257
Miscellaneous revenues	<u>16,818</u>
Total operating revenues	204,137
Operating expenses	<u>549,091</u>
Operating loss	<u>(344,954)</u>
Non-operating revenues/(expenses):	
Ad valorem property tax revenues	282,562
Interest income	5,201
Interest expense	<u>(11,676)</u>
Total non-operating revenues/(expenses)	<u>276,087</u>
Change in net assets	(68,867)
Net assets, beginning of year	<u>2,254,195</u>
Net assets, end of year	<u>\$ 2,185,328</u>

The accompanying notes are an integral part of this statement.



ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Cash Flows  
Year Ended September 30, 2010

	Business-type activities
Cash flows from operating activities:	
Cash received from customers	\$ 208,399
Cash paid to suppliers and others	(359,847)
Cash paid to employees and commissioners	<u>(114,313)</u>
Net cash used by operating activities	<u>(265,761)</u>
Cash flows from non-capital financing activities:	
Ad valorem property taxes	<u>282,562</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(55,113)
Principal paid on revenue bond obligations	(13,039)
Interest paid on revenue bond obligations	<u>(11,630)</u>
Net cash used by capital and related financing activities	<u>(79,782)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>5,301</u>
Net decrease in cash and equivalents	(57,680)
Cash and equivalents, beginning of year	<u>449,162</u>
Cash and equivalents, end of year	<u>\$ 391,482</u>
Classified as:	
Current assets	\$ 309,128
Restricted assets	<u>82,354</u>
Total	<u>\$ 391,482</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Cash Flows (Continued)  
Year Ended September 30, 2010

	<u>Business-type activities</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	<u>\$ (344,954)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	132,312
Amortization of bond issue costs	399
Decrease in accounts receivable	4,013
Increase in unbilled accounts receivable	(51)
Increase in prepaid expenses	(175)
Decrease in accounts payable	(59,549)
Decrease in accrued and withheld taxes	(27)
Increase in accrued wages	1,633
Increase in due to St. Mary Parish Government	338
Increase in customer deposits payable	<u>300</u>
Total adjustments	<u>79,193</u>
Net cash used by operating activities	<u>\$ (265,761)</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

St. Mary Parish Water and Sewer Commission No. 5 ("Commission") was created by the St. Mary Parish Government on June 25, 1997. The purpose of the commission is to establish, acquire, construct, maintain and operate a waterworks and sewer system for the benefit of the people of the District. The commission was formed to consolidate the operations of the St. Mary Parish Waterworks District No. 7 and the St. Mary Parish Sewerage District No. 10. The commission is governed by seven board members appointed by the St. Mary Parish Council.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Commission (a component unit of the St. Mary Parish Government) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

A. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criteria includes:

1. Appointing a voting majority of an organization's governing body, and (a) the ability of the Parish to impose its will on that organization, and/or (b) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the Parish.
2. Organizations for which the Parish does not appoint a voting majority but are fiscally dependent on the Parish Council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**B. BASIS OF PRESENTATION**

The accompanying financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Fund Financial Statements**

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

**Proprietary Funds –**

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an enterprise fund.

**Enterprise funds**

Enterprise funds are used to account for operations (a) that are financial and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

Business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. ASSETS, LIABILITIES AND EQUITY

Cash and interest-bearing deposits

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the Statement of Cash Flows, "cash and equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Prepaid items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items.

Restricted assets

Certain proceeds of enterprise fund loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants.

Capital assets

Capital assets, which include property, plant and equipment are reported in the Statement of Net Assets. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of the donation. The Commission maintains a threshold level of \$2,500 for capitalizing assets.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, which accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Water Supply Facilities	10 - 40 Years
Water and Sewer Treatment Facilities	20 - 40 Years
Water Distribution Facilities	40 Years
Furniture, Equipment, and Vehicles	3 - 7 Years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations.

Capitalization of Interest

Interest costs incurred by the Commission during the construction of an asset for its own use are capitalized as part of the cost of constructing the asset. During the year ended September 30, 2010 and 2009, there were no borrowings for assets under construction and no capitalized interest expenses was recorded on the books.

Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by the allowance method.

Compensated absences

The Commission adopted an annual vacation and sick leave policy for all full time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one day per month and is allowed to accumulate up to 120 days.

Long-term debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists of loans payable to the United States Department of Agriculture.

Bond issue costs

Bond issue costs are amortized by the straight-line method over the life of the related bond issue.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

E. REVENUES AND EXPENSES

Revenues

Fees for water and sewer services are recognized when earned. Ad valorem taxes are recorded in the year that they are received. Connection and service fees are recognized when received. Interest income is recognized when earned. Unbilled utility services receivables are recorded at year-end. Substantially, all other revenues are recorded when received.

Expenses

Expenses are classified by function for business-type activities. Expenses are further classified as operating and nonoperating. All expenses are recognized in the period that the liabilities are incurred.

F. BUDGETS AND BUDGETARY ACCOUNTING

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and accordingly, the Commission has elected to not formally adopt budgets for the years ended September 30, 2010. Accordingly, budget figures are not presented in this financial report.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2010, the Commission had cash and interest-bearing deposits (book balances) totaling \$391,482 as follows:

Demand deposits	\$ 191,482
Time deposits	<u>200,000</u>
	<u>\$ 391,482</u>

Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2010, the Commission had \$388,262 in deposits (collected bank balances) which were entirely secured from risk by federal deposit insurance.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. Since the Commission's total bank balances were fully insured, the deposits are not exposed to custodial credit risk.

NOTE 3 RECEIVABLES

At September 30, 2010, the Commission had customer utility accounts receivable as follows:

Customer accounts receivable	\$ 54,007
Less: allowance for uncollectable accounts	<u>(41,959)</u>
Net customer accounts receivable	12,048
Utility collections due from other governments	<u>3,741</u>
Total accounts receivable	<u>\$ 15,789</u>

NOTE 4 AD VALOREM TAXES

The Commission's property tax is levied in October of each year on the assessed value of property within the Commission. Taxes are due and payable by December 31. The taxes are delinquent on January 1, at which time an enforceable lien attaches to the property. Taxes are collected on behalf of the Commission by the Sheriff and then remitted to the Commission. The tax rate for the year ended September 30, 2010 was 10.00 mills on the assessed valuation of all taxable property within the boundaries of the Commission. These taxes are to be used for the purpose of maintaining and operating the water and sewer facility. Total taxes levied for the year ended September 30, 2010 was \$295,589.



ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Additions (Deletions)	Ending Balance
Land	\$ 104,237	\$ -	\$ 104,237
Water supply facility	577,433	139,188	716,621
Water treatment & storage facility	506,100	-	506,100
Water distribution facility	653,415	-	653,415
Sewer system facility	2,154,594	-	2,154,594
Transportation equipment	48,171	-	48,171
Equipment	60,963	-	60,963
Office equipment	5,534	-	5,534
Construction in progress	84,075	(84,075)	-
	4,194,522	55,113	4,249,635
Less: accumulated depreciation	(2,069,155)	(132,312)	(2,201,467)
Total	<u>\$ 2,125,367</u>	<u>\$ (77,199)</u>	<u>\$ 2,048,168</u>

Depreciation expense charged to the Commission's business-type activities for the years ended September 30, 2010 was \$132,312.

NOTE 6 DEFERRED LOAN ISSUE COSTS

As described in Note 7, the Commission has loans payable to the United States Department of Agriculture Office of Rural Development. Expenses, primarily legal fees, were incurred in connection with the borrowings. Generally accepted accounting principles require such costs to be reported as deferred charges on the balance sheet and amortized from the date of the loan until the maturity of the obligation.

At September 30, 2010, the Commission has unamortized deferred loan issuance costs as follows:

	Loan dated		
	April 1, 1980	November 5, 1997	Total
Loan issuance costs	\$ 10,855	\$ 4,483	\$ 15,338
Less: amortization recognized	(8,153)	(1,447)	(9,600)
	<u>\$ 2,702</u>	<u>\$ 3,036</u>	<u>\$ 5,738</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE 7 CHANGES IN LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the Commission for the year ended September 30, 2010:

Loans payable, September 30, 2009	\$ 251,219
Principal paid	<u>(13,039)</u>
Loans payable, September 30, 2010	<u>\$ 238,180</u>

Loans payable at September 30, 2010 is comprised of the following individual issues:

\$300,000 Rural Development Loan issued by the United States Department of Agriculture dated April 1, 1980; due in annual installments of \$17,787, including principal and interest through April 1, 2020; interest at 5%	\$ 134,961
\$120,000 Rural Development Loan issued by the United States Department of Agriculture dated November 5, 1997; due in monthly installments of \$574 including principal and interest beginning on December 5, 1998 through November 5, 2037; interest at 4.875%	<u>103,219</u>
	<u>\$ 238,180</u>

The future maturities of the loans payable are as follows:

Year Ending September 30	Principal	Interest	Total
2011	12,925	11,745	24,670
2012	13,571	11,099	24,670
2013	14,249	10,421	24,670
2014	14,961	9,709	24,670
2015	15,709	8,961	24,670
2016-2020	87,250	32,214	119,464
2021-2025	16,947	17,469	34,416
2026-2030	21,614	12,802	34,416
2031-2035	27,566	6,850	34,416
2036-2037	<u>13,388</u>	<u>615</u>	<u>14,003</u>
	<u>\$ 238,180</u>	<u>\$ 121,885</u>	<u>\$ 360,065</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 DUE TO OTHER GOVERNMENTS

St. Mary Parish Government Ordinance No. 1171 imposes a monthly collection service charge of \$15 per month for each residence from which solid waste is collected. The Commission bills the fees and remits each month all garbage service charges collected to the St. Mary Parish Government, less a collection fee of \$0.65 per charge, plus a 41-cent collection fee per customer who does not receive water services. At September 30, 2010, the garbage collection charges due to the St. Mary Parish Government were \$6,606.

Additionally, the Commission charges a monthly fee of \$2 per month for each residence with water service for mosquito abatement as imposed by the St. Mary Parish Government. The Commission remits each month all mosquito abatement fees collected to the St. Mary Parish Government. At September 30, 2010, mosquito abatement fees due to the St. Mary Parish Government were \$1,031.

NOTE 9 FLOW OF FUNDS: RESTRICTION ON USE OF REVENUES

Under the terms of the loan agreements of the outstanding Rural Development loans dated April 1, 1980 and November 5, 1997, all income and revenue (hereinafter referred to as revenues) of every nature, earned or derived from the operation of the commission, are pledged and dedicated to the retirement of said loans, and are to be set aside into the following funds:

Revenue Fund

Revenues earned from the operation of the commission shall be deposited daily into a "Revenue Fund". This fund will pay all reasonable and necessary expenses of administering, operating and maintaining the Commission.

Depreciation Reserve Fund

Funds in the amount of \$180 will be set aside each month into a "Depreciation Reserve Fund" until there shall have been accumulated in the fund an amount equal to the maximum principal and interest requirements in any one maturity year. Such amounts may be used only for the payment of maturing bonds and interest for which sufficient funds are not on deposit in the Revenue Fund and which there would otherwise be a default.

Depreciation and Contingency Fund

Funds in the amount of \$104 will also be set aside each month into a "Depreciation and Contingency Fund". Money in this fund may be used to care for extensions, additions, improvements, renewals and replacement necessary to properly operate the commission. Money in this fund may also be used to pay the principal of and interest on the bonds falling due any time there is not sufficient money for payment in the other bond funds.

All revenues received in any fiscal year and not required to be paid during such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 EMPLOYEE RETIREMENT

The Commission has implemented a SIMPLE retirement plan for its employees. Under the plan, the Commission matches an employee's salary deferrals up to three percent of the employee's total wages. For the year ended September 30, 2010, the Commission's matching contributions totaled \$3,102.

NOTE 11 CONTINGENCIES

The Commission operates a sewerage plant, which is regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of the Board of Commissioners, all applicable regulations have received full compliance, however, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

NOTE 12 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended September 30, 2010. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

## **OTHER SUPPLEMENTARY INFORMATION**

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Net Assets  
September 30, 2010  
With Comparative Totals as of September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 309,128	\$ 370,778
Accounts receivable	15,789	19,802
Unbilled accounts receivable	2,910	2,859
Accrued interest receivable	164	264
Prepaid expenses	<u>12,270</u>	<u>12,095</u>
Total current assets	<u>340,261</u>	<u>405,798</u>
Restricted assets:		
Revenue fund	8,894	8,894
Depreciation reserve fund	36,937	34,609
Water system depreciation and contingency fund	31,973	30,631
Customer deposits	<u>4,550</u>	<u>4,250</u>
Total restricted assets	<u>82,354</u>	<u>78,384</u>
Property and equipment:		
Cost	4,249,635	4,194,522
Less: accumulated depreciation	<u>(2,201,467)</u>	<u>(2,069,155)</u>
Total property and equipment	<u>2,048,168</u>	<u>2,125,367</u>
Other assets:		
Loan issue costs, net of amortization	<u>5,738</u>	<u>6,137</u>
Total other assets	<u>5,738</u>	<u>6,137</u>
Total assets	<u>2,476,521</u>	<u>2,615,686</u>

	<u>2010</u>	<u>2009</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 28,062	\$ 87,611
Accrued and withheld payroll taxes	2,444	2,471
Accrued wages	6,789	5,156
Due to St. Mary Parish Government	<u>7,637</u>	<u>7,299</u>
Total current liabilities	<u>44,932</u>	<u>102,537</u>
 <b>Current liabilities (payable from restricted assets):</b>		
Rural development loans payable - current portion	12,925	12,280
Accrued interest payable	3,531	3,485
Customer deposits payable	<u>4,550</u>	<u>4,250</u>
Total current liabilities (payable from restricted assets)	<u>21,006</u>	<u>20,015</u>
 <b>Non-current liabilities:</b>		
Rural development loans payable, net of current portion	<u>225,255</u>	<u>238,939</u>
 Total liabilities	<u>291,193</u>	<u>361,491</u>
 <b>Net assets</b>		
Investment in capital assets, net of related debt	1,809,988	1,874,148
Restricted	73,460	8,894
Unrestricted	<u>301,880</u>	<u>371,153</u>
Total net assets	<u>\$ 2,185,328</u>	<u>\$ 2,254,195</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended September 30, 2010  
With Comparative Totals for the Year Ended September 30, 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Water sales	\$ 106,823	\$ 92,726
Sewer sales	70,239	82,344
Garbage collection fees	10,257	15,541
Miscellaneous revenues	<u>16,818</u>	<u>17,065</u>
Total operating revenues	204,137	207,676
Operating expenses	<u>549,091</u>	<u>486,242</u>
Operating loss	<u>(344,954)</u>	<u>(278,566)</u>
Non-operating revenues/(expenses):		
Ad valorem property tax revenues	282,562	279,702
Interest income	5,201	6,371
Interest expense	<u>(11,676)</u>	<u>(14,286)</u>
Total non-operating revenues/(expenses)	<u>276,087</u>	<u>271,787</u>
Loss before contributions	(68,867)	(6,779)
Capital contributions - St. Mary Parish Government	<u>-</u>	<u>100,000</u>
Change in net assets	(68,867)	93,221
Net assets, beginning of year	<u>2,254,195</u>	<u>2,160,974</u>
Net assets, end of year	<u>\$ 2,185,328</u>	<u>\$2,254,195</u>



ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Cash Flows  
Year Ended September 30, 2010  
With Comparative Totals for the Year Ended September 30, 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 208,399	\$ 205,264
Cash paid to suppliers and others	(359,847)	(193,092)
Cash paid to employees and commissioners	(114,313)	(107,740)
Net cash used by operating activities	<u>(265,761)</u>	<u>(95,568)</u>
Cash flows from non-capital financing activities:		
Ad valorem property taxes	<u>282,562</u>	<u>279,702</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(55,113)	(114,983)
Allocations from other governments	-	100,000
Principal paid on revenue bond obligations	(13,039)	(10,633)
Interest paid on revenue bond obligations	(11,630)	(15,424)
Net cash used by capital and related financing activities	<u>(79,782)</u>	<u>(41,040)</u>
Cash flows from investing activities:		
Interest earned on investments	<u>5,301</u>	<u>6,309</u>
Net increase (decrease) in cash and equivalents	(57,680)	149,403
Cash and equivalents, beginning of year	<u>449,162</u>	<u>299,759</u>
Cash and equivalents, end of year	<u>\$ 391,482</u>	<u>\$ 449,162</u>
Classified as:		
Current assets	\$ 309,128	\$ 370,778
Restricted assets	<u>82,354</u>	<u>78,384</u>
Total	<u>\$ 391,482</u>	<u>\$ 449,162</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Cash Flows (Continued)  
Year Ended September 30, 2010  
With Comparative Totals for the Year Ended September 30, 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	<u>\$ (344,954)</u>	<u>\$ (278,566)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	132,312	115,677
Amortization of bond issue costs	399	399
Decrease in accounts receivable	4,013	3,486
Increase in unbilled accounts receivable	(51)	(1,082)
Increase in prepaid expenses	(175)	(499)
Increase (decrease) in accounts payable	(59,549)	64,607
Increase (decrease) in accrued and withheld taxes	(27)	480
Increase (decrease) in accrued wages	1,633	(723)
Increase in due to St. Mary Parish Government	338	203
Increase in customer deposits payable	300	450
Total adjustments	<u>79,193</u>	<u>182,998</u>
Net cash used by operating activities	<u>\$ (265,761)</u>	<u>\$ (95,568)</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Schedule of Changes in Assets Restricted for Debt Service  
Year Ended September 30, 2010

	Revenue Fund	Depreciation Reserve Fund	Water System Depreciation and Contingency Fund	Total
Cash, September 30, 2009	\$ 8,894	\$ 34,609	\$ 30,631	\$ 74,134
Cash receipts	<u>17,787</u>	<u>2,328</u>	<u>1,342</u>	<u>21,457</u>
Total cash available	26,681	36,937	31,973	95,591
Cash disbursements:				
Interest payments	(6,537)	-	-	(6,537)
Bond payments	<u>(11,250)</u>	<u>-</u>	<u>-</u>	<u>(11,250)</u>
Cash, September 30, 2010	<u>\$ 8,894</u>	<u>\$ 36,937</u>	<u>\$ 31,973</u>	<u>\$ 77,804</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Schedule of Operating Expenses  
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Advertising	\$ 2,131	\$ 1,556
Amortization	399	399
Bad debt expense	4,311	5,266
Bank charges	53	32
Cash over and short	(363)	(387)
Chemicals	23,624	24,253
Commissioners per diem	5,460	5,820
Continuing education	1,451	972
Depreciation	132,312	115,677
Employee pension	3,102	1,956
Insurance	44,910	44,546
Inspection fees	2,312	2,570
Professional fees	50,280	54,918
Office expense	8,724	7,993
Payroll taxes	7,513	7,120
Postage	5,042	4,564
Repairs and maintenance	102,087	65,570
Supplies	1,410	597
Telephone	6,529	7,117
Truck	8,746	4,587
Utilities	39,214	38,515
Wages	<u>99,844</u>	<u>92,601</u>
 Total	 <u>\$ 549,091</u>	 <u>\$ 486,242</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Revenues and Expenses (by Department)  
Year Ended September 30, 2010

	Water Department	Sewer Department	Total
Operating revenues:			
Water sales	\$ 106,823	\$ -	\$ 106,823
Sewer sales	-	70,239	70,239
Garbage collection fees	10,257	-	10,257
Miscellaneous	16,818	-	16,818
Total operating revenues	<u>133,898</u>	<u>70,239</u>	<u>204,137</u>
Operating expenses:			
Advertising	2,131	-	2,131
Amortization	399	-	399
Bad debt expense	2,073	2,238	4,311
Bank charges	53	-	53
Cash over and short	(363)		(363)
Chemicals	15,391	8,233	23,624
Commissioners per diem	2,730	2,730	5,460
Continuing education	509	942	1,451
Depreciation	60,997	71,315	132,312
Employee pension	2,027	1,075	3,102
Insurance	29,940	14,970	44,910
Inspection fees	1,147	1,165	2,312
Professional fees	41,147	9,133	50,280
Office expense	8,724	-	8,724
Payroll taxes	5,743	1,770	7,513
Postage	5,042	-	5,042
Repairs and maintenance	76,784	25,303	102,087
Supplies	1,410	-	1,410
Telephone	5,509	1,020	6,529
Truck expense	5,372	3,374	8,746
Utilities	17,459	21,755	39,214
Wages	75,534	24,310	99,844
Total operating expenses	<u>359,758</u>	<u>189,333</u>	<u>549,091</u>
Operating loss	<u>(225,860)</u>	<u>(119,094)</u>	<u>(344,954)</u>
Non-operating revenues (expenses):			
Ad valorem property taxes	282,562	-	282,562
Interest income	5,201	-	5,201
Interest expense	(11,676)	-	(11,676)
Total non-operating revenues (expenses)	<u>276,087</u>	<u>-</u>	<u>276,087</u>
Net income (loss)	<u>\$ 50,227</u>	<u>\$ (119,094)</u>	<u>\$ (68,867)</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Statement of Revenues and Expenses (by Department)  
Year Ended September 30, 2009

	Water Department	Sewer Department	Total
Operating revenues:			
Water sales	\$ 92,726	\$ -	\$ 92,726
Sewer sales	-	82,344	82,344
Garbage collection fees	15,541	-	15,541
Miscellaneous	17,065	-	17,065
Total operating revenues	<u>125,332</u>	<u>82,344</u>	<u>207,676</u>
Operating expenses:			
Advertising	1,556	-	1,556
Amortization	399	-	399
Bad debt expense	2,827	2,439	5,266
Chemicals	11,369	12,884	24,253
Commissioners per diem	2,910	2,910	5,820
Continuing education	890	82	972
Depreciation	47,048	68,629	115,677
Employee pension	846	1,110	1,956
Insurance	15,148	29,398	44,546
Inspection fees	325	2,245	2,570
Professional fees	34,136	20,782	54,918
Miscellaneous	(355)	-	(355)
Office expense	7,993	-	7,993
Payroll taxes	5,529	1,591	7,120
Postage	4,564	-	4,564
Repairs and maintenance	41,012	24,558	65,570
Supplies	597	-	597
Telephone	4,702	2,415	7,117
Truck expense	2,489	2,098	4,587
Utilities	14,317	24,198	38,515
Wages	72,380	20,221	92,601
Total operating expenses	<u>270,682</u>	<u>215,560</u>	<u>486,242</u>
Operating loss	<u>(145,350)</u>	<u>(133,216)</u>	<u>(278,566)</u>
Non-operating revenues (expenses):			
Appropriation from St Mary Parish Government	100,000	-	100,000
Ad valorem property taxes	279,702	-	279,702
Interest income	6,371	-	6,371
Interest expense	(14,286)	-	(14,286)
Total non-operating revenues (expenses)	<u>371,787</u>	<u>-</u>	<u>371,787</u>
Net income (loss)	<u>\$ 226,437</u>	<u>\$ (133,216)</u>	<u>\$ 93,221</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Schedule of Board Members and Compensation Received  
Year Ended September 30, 2010

<u>NAME</u>	<u>POSITION</u>	<u>MEETINGS ATTENDED</u>	<u>COMPENSATION</u>
Frank Matthews	President	15	\$ 900
Wilfred Edwards	Secretary	15	900
Edward Patrick	Board Member	15	900
Jessie Boudreaux	Board Member	7	420
Raymond Jakson	Board Member	13	780
Nekeisha Bowie	Board Member	13	780
Virginia Sutton	Board Member	13	<u>780</u>
			<u>\$ 5,460</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Schedule of Insurance - Unaudited  
Year Ended September 30, 2010

<u>NAME OF INSURER</u>	<u>INSURANCE</u>	<u>AMOUNT OF INSURANCE</u>	<u>EXPIRATION DATE</u>
Travelers Property Casualty	Workmen's Compensation		2/10/2011
	Each accident	\$ 100,000	
	Policy limit	\$ 500,000	
	Each employee	\$ 100,000	
General Star Indemnity Company	Directors & Officers Liability	\$ 1,000,000	6/11/2011
	Each Occurrence/ Aggregate	\$ 1,000	
Reliance Insurance Company	General Liability		1/22/2011
	Each occurrence	\$ 1,000,000	
	Aggregate	\$ 2,000,000	
	Auto Liability	\$ 500,000	
	Property		
	216 Parish Hwy 30	\$ 300,975	Building
	216B Parish Hwy 30	\$ 169,050	Building
	216C Parish Hwy 30	\$ 16,800	Building
	216D Parish Hwy 30	\$ 27,615	Lift Station
	Sewer Treatment - Hwy 30	\$ 160,000	Building
		\$ 14,000	Contents
		\$ 10,000	Metal Shed
		\$ 182,000	Lift Stations
		\$ 28,000	Fences
	672 Cypremort Road	\$ 62,500	Plant
		\$ 2,000	Lift Station



ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Schedule of Water Rates and Number of Customers - Unaudited  
Year Ended September 30, 2010

WATER RATES BY USER GROUP:

<u>METER SIZE</u>	<u>USAGE</u>	<u>CHARGE</u>
Residential 3/4"	0 - 2,000 gallons	\$ 11.00 minimum
	2,001 - 5,000 gallons	3.00 per thousand
	5,001 - 10,000 gallons	3.00 per thousand
	over 10,000 gallons	3.00 per thousand
Large Commercial 1" to 2"	0 - 10,000 gallons	\$ 30.00 minimum
	over 10,000 gallons	1.25 per thousand

NUMBER OF CUSTOMERS:

At September 30, 2010, there were 505 metered water customers of the St. Mary Parish Water and Sewer Commission No. 5, compared to 558 metered customers at September 30, 2009. At September 30, 2010, metered customers consisted of 13 commercial customers and 492 residential customers.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Schedule of Aged Customer Accounts Receivable  
Year Ended September 30, 2010

<u>Aging</u>	<u>Amount</u>
Current	\$ 11,953
31-60 days past due	551
61-90 days past due	1,656
91-120 days past due	437
Over 120 days past due	<u>(2,549)</u>
	<u>\$ 12,048</u>

## INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Commissioners  
St. Mary Parish Water and Sewer Commission No. 5,  
State of Louisiana  
Jeanerette, Louisiana

We have audited the financial statements of the business-type activities of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana, (the Commission), a component unit of the St. Mary Parish Government, as of and for the year ended September 30, 2010, which comprise the Commission's basic financial statements and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's response to the findings identified in our audit is described in the accompanying management's corrective action plan for current year audit findings. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Commission's management, others within the organization, the St. Mary Parish Government, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Franklin, Louisiana  
March 25, 2011

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Summary Schedule of Prior Year Findings  
Year Ended September 30, 2010

- 2009-1      Finding:    Inadequate Segregation of Duties  
                 Status:    This finding is unresolved. It will be reiterated in the current year as item 2010-1.
- 2009-2      Finding:    Application of GAAP (generally accepted accounting principles)  
                 Status:    This finding has been resolved.
- 2009-3      Finding:    Failure to Timely Submit Annual Financial Report  
                 Status:    This finding only applied to the year ended September 30, 2009. Therefore, this finding is considered resolved.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Schedule of Findings and Questioned Costs and Auditor's Results  
Year Ended September 30, 2010

Part I Summary of Auditor's Results:

FINANCIAL STATEMENTS

Auditor's Report-Financial Statements

An unqualified opinion has been issued on the St. Mary Parish Water and Sewer Commission No. 5's financial statements as of and for the year ended September 30, 2010.

Deficiencies-Financial Reporting

There was one deficiency in internal control over financial reporting noted during the audit. This deficiency is considered to be a material weakness.

Material Noncompliance-Financial Reporting

There were no items of noncompliance noted during the audit.

Federal Awards

At September 30, 2010, the St. Mary Parish Water and Sewer Commission No. 5, did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

Part II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2010-1 Inadequate Segregation of Duties

Finding: Accounting and financial functions are not adequately segregated.

Criteria: SAS 109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU §314.43 defines internal control as follows:

*"Internal Control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.*

Additionally, Statements of Standards for Attestation Engagements (SSAE) AT §501.03 states:

*An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both."*

Cause: Due to a limited number of personnel, the Commission is unable to adequately segregate its administrative and financial functions.

**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA**

**Schedule of Findings and Questioned Costs and Auditor's Results (Continued)  
Year Ended September 30, 2010**

**Effect:** Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities include fraud and/or defalcations may occur and not be prevented and/or detected.

**Recommendation:** The Commission's board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregation of duties would exceed its benefits. No additional response is deemed necessary.

**Part III Findings and Questioned Costs Relating to Federal Programs**

At September 30, 2010, the Commission did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.



ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5  
STATE OF LOUISIANA

Management's Corrective Action Plan for Current Year Findings  
Year Ended September 30, 2010

Ref No.	Management's Response
2010-1	<p><b>Inadequate Segregation of Accounting Functions</b></p> <p>We concur with this recommendation. However, the Commission is not able to fully correct this weakness due to the limited number of Commission personnel. Therefore, the Commission has contracted an independent bookkeeper to reconcile bank accounts, provide billing services, and to compile monthly financial statements. The Commission has also contracted with a local convenience store to collect customer payments and deposit them in the Commission's bank account.</p>